

CIRCULAR

CFD/DCR2/CIR/P/2016/131

December 09, 2016

To

**All Recognised Stock Exchanges
All Depositories
All Registered Merchant Bankers
All Registrars to the Issue**

Dear Sir/Madam,

Sub: Streamlining the Process for Acquisition of Shares pursuant to Tender-Offers made for Takeovers, Buy Back and Delisting of Securities.

1. SEBI had issued circular No. CIR/CFD/POLICY CELL/1/2015 dated April 13, 2015 on Mechanism for acquisition of shares through stock exchange mechanism pursuant to tender-offers for the purpose of takeovers, buy back and delisting of securities.
2. In the current mechanism, the shareholders submit their bids through stock brokers and subsequently, the brokers transfer the shares to the special account of the clearing corporation. Likewise, the consideration payable to shareholders for the shares accepted in the offer are routed through stock brokers. Also, the shares not accepted in the offer are returned to shareholders through the stock brokers.
3. It has now been decided in consultation with the stock exchanges and depositories that transfer of shares of shareholders under the tender offers would be made directly to the account maintained by the clearing corporation. After such transfer of securities, the clearing corporation will be allowed to utilize the securities towards the settlement obligations under such offers. Further, consideration for the accepted shares in the tender offer and shares tendered but not accepted under such offer would be credited directly to shareholders' bank and demat accounts respectively.

4. The aforesaid measures will reduce the systematic risk for investors and ease the process of implementation.
5. The procedural aspects for tendering and settlement of shares under the revised system are specified in the Annexure.
6. The said revised procedure shall be applicable to all the offers for which Public Announcement is made on or after January 02, 2017.
7. Stock Exchanges and Depositories shall take necessary steps and put in place necessary infrastructure and systems for implementation of the mechanism and to ensure compliance with requirements of this circular.
8. The amendments in the procedure are carried out in exercise of the powers conferred under section 11 (1) of the Securities and Exchange Board of India Act, 1992 read with regulation 13(1A) of Delisting Regulations, regulation 9(3A) of Buy Back Regulations, regulation 18(6A) of Takeover Regulations as amended.
9. This Circular along with the Annexure is available on the SEBI website at www.sebi.gov.in under the category "Legal framework".

Yours faithfully,

Amit Tandon
Deputy General Manager
+91-22-26449373
amitt@sebi.gov.in

ANNEXURE

Amendments to Procedure for tendering and settlement of shares through Stock Exchange

1. Amendment to Procedure for Placing of Orders and Basis of Acceptance.

1.1 The clause (h) and (i) shall be substituted with the following:

- h. "The securities pay-in shall be as per the early pay-in mechanism currently available in the secondary market."*
- i. "The shares tendered by the shareholder under the offer shall be transferred directly to Clearing Corporation of the stock exchange providing Acquisition Window (CC) using early pay-in mechanism prior to placing the bid by the seller broker."*

1.2 After clause (i), the following clauses shall be inserted:

- ia. "Depositories shall provide information to CC about the shareholder on whose behalf the member has placed sell order. This information shall include investor PAN, beneficiary account details and bank details including IFSC code."*
- ib. "The cumulative quantity tendered shall be made available online to the market throughout the trading session at specific intervals by Stock Exchange providing acquisition window during the tendering period on the basis of shares transferred to CC using early pay-in mechanism."*

2. **Amendment to Procedure for Execution of trades and settlement**

2.1 The clause (l) and (m) shall be substituted with the following:

l. *“Once the basis of acceptance is finalised, CC would transfer unaccepted shares directly to the shareholders account. If the securities transfer instruction is rejected in the depository system, due to any issue then such securities will be transferred to the seller broker’s depository pool account for onward transfer to the shareholder.”*

m. *“Acquirer will transfer the funds pertaining to the offer to CC’s bank account. CC will then settle the trades by making direct funds payout to shareholders. If shareholders bank account details are not available or if the funds transfer instruction is rejected by RBI/bank, due to any issue then such funds will be transferred to the seller broker’s settlement account for onward transfer to shareholder.”*

2.2 Clause (n) shall be deleted.

2.3 Clause (o) shall be substituted with the following:

o. *“The seller broker would then issue contract note for the shares accepted in the offer.”*

2.4 Sub-clause (iv) of clause (p) shall be substituted with the following:

‘Details of Early Pay-in account of CC’.
